ANNUAL REPORT 1999-2000

May 2000

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Nechako-Kitamaat
Development Fund Society

1.0 Overview: August 1999 - March 2000

The Nechako-Kitamaat Development Fund (NKDF) Society was incorporated in August 1999. This report focuses, therefore, on the first seven months of operations and program delivery. The Society currently offers two grant programs – *Community* grants and *Economic Development Capacity* grants (see page 9).

As a new Society there was significant initial energy used to establish our base of operations and to get our grant programs up and running. We can report that both goals have been achieved and we are currently working on the finalization of our *Business Loans* program.

We conducted our first annual review of the Society in April 2000. Our evaluation clearly showed us that we are on track with our management and Board operations. It also revealed confidence in the direction we are going with our programs. Evaluations will be ongoing.

1.1 Chair's Report

This first year of the Nechako-Kitamaat Development Society has consisted mainly of organizational tasks. After the Advisory Board vetted and recommended new Board appointments the Minister of Northern Affairs approved and appointed the Board consisting of ten members from the investment area.

The Board members' first task was to select a manager from the applications received. Hired was Fiona Glass of Cutting Edge Consulting. A Constitution was drawn up and the Nechako-Kitamaat Fund Society was registered under the Societies Act of British Columbia on August 18, 1999.

Two Board members submitted resignations at the September Board meeting, at which time I became Chairman of the Board.

During the past eight months your Board members and Manager have spent the majority of their time and efforts on developing administrative criteria. This includes a *Policies & Procedures Manual*, *Communications Strategy* and the 1999/2000 and 2000/2001 *Business Plans*, among others. With completion of the above documents, we were able to commence receiving applications and awarding funds for the Grant programs. The Loans program still needs fine-tuning to become operational by our target of summer's end.

To accomplish the above, we held 5 Board meetings and 2 conference calls. The final monies from the B.C. Government and Alcan have been deposited to the NKDF Society's account, bringing the total amount of the principal to $15

million. We are currently exploring avenues that will hopefully generate more investment revenue to carry out our mandate.

To date we have received 8 proposals for grant funds and have approved 5 of them. With the satisfactory completion of these 5 proposals, their total value will be $179,500.

Our main challenges for the upcoming months are to finalize the Loans program and get it up and running, and to concentrate on finding ways of making those in the investment areas more aware of our mandate. As we promote the programs and make them more easily understood, we hope it will encourage more proposals that meet our criteria and help to improve the economic climate of the benefiting areas.

I want to thank all the board members for their commitment and dedication to this time-consuming process of developing the programs. You have spent many hours outside of Board meetings "doing your homework" and it is greatly appreciated. I would especially like to thank Fiona for her excellent performance as Manager.

Dave Merz, Chair
May 17, 2000

2.0 Who are we?

2.1 Board-driven

The NKDF Society is governed by a northern-based Board of ten volunteers who intimately know the communities we work with. The first Society Board, which will be in place until May 2001, is comprised of:

- Dave Merz, Fort Fraser (Chair)
- June Clark, Vanderhoof (Secretary-Treasurer)
- Bill Stewart, Prince George
- Frank Read, Vanderhoof
- Bob Murray, Burns Lake
- Alan Blackwell, Ootsa Lake
- Felix Grant, Kitamaat Village
- Arnie Smith, Kitamaat Village
- Mario Feldhoff, Kitimat (Alcan representative)

As of May 2000 we have one Board vacancy which we are working on filling.

2.2 Mandate

The Society mandate is:

To promote sustainable economic activity in northern communities impacted by the Kitimat-Kemano Project and by the creation of the Nechako Reservoir.
A permanent NKDF, which is sustained through investment, will fund programs and projects with goals of economic development and community stability that are consistent with each community's values.

2.3 Guiding Principles of the Fund

The management of the NKDF is guided by the following principles:

COMMUNITY ECONOMIC DEVELOPMENT	The NKDF will invest in community economic development projects and/or programs that are supported by the community.
JOB CREATION & ENHANCEMENT	Creating new jobs and enhancing existing jobs are priorities of the NKDF.
SUSTAINABLE EMPLOYMENT	Priority of the Fund will be to support long term employment both full time and seasonal.
COMMUNITY INTERRELATIONSHIPS	The fund recognizes the value of interrelationships of communities. Consideration will be given to proposals that originate outside the Nechako Region and Kitamaat Village if they demonstrate a benefit to those areas.
CLEAR AND ACCESSIBLE	The fund will have policies and programs that are accessible, with clearly defined evaluation criteria.
FIRST NATIONS PARTICIPATION	First Nation participation in the fund will not prejudice the First Nation land claim process.
LOCAL CONTROL	The NKDF Society will be made up of people who live in Northwestern BC with the majority of Board members residing in the Nechako Region or Kitamaat Village. The Board will determine the ongoing management of the fund.
BENEFITTING FUND	The NKDF is intended to create benefits through sustainable community economic development. It is not intended to be compensation for those who believe themselves to have been negatively affected by the Kitimat-Kemano Project, the creation of the Nechako Reservoir or the cancellation of the Kemano Completion Project.
COOPERATIVE VENTURES	The NKDF can be utilized in cooperative ventures along with other funding sources.
NO DUPLICATION	The NKDF will not duplicate, but may augment, existing economic development programs.
LEGACY FUND	The NKDF will be managed through a legacy fund of $10 Million invested to grow to protect the purchasing power of $15 Million over time.*
WORKING FUND	The NKDF will place an initial $5 Million in a working fund to invest in loan and grant programs of the Fund.*
FUTURE OPPORTUNITIES	Future growth of the legacy fund and working fund will be used to provide additional economic and social benefits over time.

* Fund investments are managed by the provincial government, through the Office of the Chief Investment Officer. Monies of the Northern Development Fund - to be used in support of the programs of the NKDF Society - are in investment vehicles which are generally conservative but which also provide some opportunities for growth.

2.4 Who can apply to the Society?

Any legal entity can apply to the Society for funding that benefits the investment area for initiatives that are consistent with the guiding principles.

Specifically, the investment area for the NKDF Society is the Nechako Region and the lands traditionally used by the Haisla people. This includes the communities and rural settlements associated with the Nechako Region: Vanderhoof, Fort Fraser, Nautley (Nadleh Whut'en First Nation), Stoney Creek (Saik'uz First Nation)[1], Cheslatta First Nation, as well as the settlements south of Grassy Plains in the Ootsa Lake area and Kitamaat Village.

2.5 Background to the Society

The $15 million Northern Development Fund, to which both Alcan and the BC government each contributed $7.5 million, was created as a result of the BC-Alcan 1997 Agreement. This Agreement resolved the legal issues associated with the cancellation of the Kemano Completion Project. Bill 5, the "BC-Alcan Northern Development Fund Act", to promote sustainable economic development in Northwestern BC, was approved by the Legislature in April 1998. An Advisory Board for the Northern Development Fund was established in January 1998 to provide the Minister responsible for the Fund[2] with recommendations for how the Fund should be managed and used to stimulate economic development.

Following the submission of recommendations to the Minister for approval in November 1998, the NKDF Society was created to manage the programs supported by the Northern Development Fund and to implement the recommendations of the Advisory Board.

2.6 Society Management

In August 1999 Fiona Glass of Cutting Edge Consulting in Smithers was contracted to provide comprehensive management services to the Society. By contracting these services out and "piggy-backing" with an existing business, it is the Society's aim to keep administrative costs as low as possible. Management services are provided on a part-time basis, generally equivalent to 2 days/week.

[1] At this time, the Saik'uz and Nadleh Whut'en First Nations are choosing not to participate with the Society due to legal involvements with Alcan. However, the Society has made efforts to "keep the door open" for them should they reach a point where they would like to participate.
[2] The Minister responsible is the Honourable Dan Miller, Minister of Energy & Mines.

With the installation of a toll free phone line (1 877 478 3863), the Society office can be reached easily and equitably from anywhere in our investment area.

2.7 Government Relations

Our Manager works closely with staff in the Ministry of Energy & Mines to ensure that our actions continue to reflect the recommendations approved by the provincial government. Our *Business Plan* is produced annually and approved by the Minister.

As well, productive relations have been developed with the British Columbia Investment Management Corporation (run through the Office of the Chief Investment Officer) which oversees the investment of our Legacy Fund.

We also network with government ministries and agencies such as the Human Resources Development Canada and the Office of the Northern Development Commissioner to work supportively on programs of mutual interest. For example, the Ministry of Community Development, Cooperatives and Volunteers offers the *Community Enterprise* program which is a potential source of contributing funds for some of our applicants.

3.0 1999-2000 Milestones

3.1 Operations

With our Manager in place by the end of August 1999, work began immediately on establishing our administrative base. By the end of October 1999, the following operations milestones had been reached:

- Finalization of our *1999-2000 Business Plan*
- Completion of our *Policies and Procedures Manual*
- Establishment of two interest-bearing bank accounts, following a call for proposals and review process[3]
- Establishment of a computerized bookkeeping system
- Connection of our toll free line
- Completion of our *Communications Strategy*
- Finalization of Board membership following two resignations in September 1999.[4]

3.2 Programs

By the end of October 1999, the following program milestones had been reached:

- Finalization of our *Program Guidelines* and grant application kit
- Announcement of the "official opening" of our grant programs
- Delivery of orientation workshops in four community areas (Fort Fraser, Vanderhoof, South Side and Kitamaat Village).

3.3 Other Milestones

Throughout the remainder of our first seven months, a number of other milestones were reached:

- Maintaining administration costs well below 10% of program funding
- Review of eight complete grant proposals (5 of which were approved for funding)

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[3] Our administration account is with the Royal Bank in Smithers; our grant program account is with the Bulkley Valley Credit Union, Burns Lake branch.

[4] Janine Elo (Vanderhoof), former Society Chair, resigned due to new work commitments, and Vina Starr (Kitamaat Village) resigned due to family relocation.

- Further community visits, to the Cheslatta First Nation, Vanderhoof and Fort Fraser[5]
- Completion and approval (by the Minister of Energy & Mines) of our *2000-2001 Business Plan*
- Meeting with Doug Pearce, the Province's Chief Investment Officer to learn more about the investment of the Northern Development Fund
- Receipt and review of grant proposals as well as the development of an effective proposal evaluation tool
- Completion of our Letter of Agreement for grant recipients
- Hiring of a Consultant to develop our Business Loans program[6]
- Conducting of productive Board meetings every two months

[5] A community visit to South Side took place in April 2000, with one to Kitamaat Village in May 2000.
[6] We expect this program to be operational some time in the summer of 2000. Initial estimates for its establishment were January 2000, but in order to best meet community needs and ensure the most effective administration possible, we have found it necessary to take this extra time.

4.0 Program Details

The Society currently has two programs on offer. Both were initiated in October 1999, with the first proposals being reviewed by the Society Board in November 1999.

Grants may fund community projects proposed by a legal organization or local government.

4.1 Community Grant Program

The Community Grant program is available for projects which improve the basic facilities, equipment, services or installations needed for growth, jobs, community stability and quality of life. Projects must demonstrate economic or social benefits to a community(s) in the Fund area and may include telecommunications, transportation, water, hydro and sewer, recreational infrastructure, beautification, and community services.

Priority is given to:
a) projects that enable a community to acquire investment;
b) projects that directly or indirectly create long-term jobs in the region;
c) initiatives which increase competitiveness of the business sector, remove constraints and promote economic activity

Costs eligible for NKDF funding include:

- Contracted goods and services
- Capital costs, materials and supplies
- Incremental labour (wages plus benefits etc.) and related costs such as travel, training and skill development
- Rent or lease of facilities and equipment
- Administrative costs

Operating Principles of the Community Grant Program:

A key principle is that these projects would not normally be undertaken by, nor be the responsibility of, local, provincial or federal government funding.

Contributing funds or "in kind" contributions should equal or exceed the amount of the grant application. Contributing funds cannot be from the Nechako-Kitamaat Development Fund.

The applicant must demonstrate the capacity to sustain operations and maintenance of the project on a long term basis (viability test).

A proposal must demonstrate community support through a letter of endorsement from local government and organizations within the local community.

4.2 Economic Development Capacity Grant Program

The Economic Development Capacity Grant Program is for developing community and regional capacity to generate economic development.

Eligible activities include workshops, seminars and other activities (e.g. feasibility studies) in communities to develop business management skills, enterprise facilitation or economic development skills, where economic or social benefits to the Nechako Region or Kitamaat Village can be demonstrated.

Costs eligible for NKDF funding include:

- Services and related costs such as travel expenses
- Rent or lease of facilities and relevant equipment
- Advertising costs or other relevant printing / communications costs
- Administrative expenses

Operating Principles of the Economic Development Capacity Grant Program:

A key principle is that these projects would not normally be undertaken, nor be funded by local, provincial, or federal government funding.

Grants must be time-limited.

Preference will be given to projects which demonstrate contributing funds or "in kind" contributions.

4.3 Applications Review and Assessment Process

The same application and review process is used for both grant programs. It is the responsibility of the Society Board to make decisions on the award of funding to applicants.

Applications may be submitted any time to the NKDF Society and will be reviewed by the Board bi-monthly.

Step 1: Application is received, recorded, assigned an identification number and reviewed for completeness by the Society Manager. Additional information is requested for incomplete applications.
If the proposal is complete, the Manager sends a letter within 2 weeks to the applicant confirming receipt and the next date for commencement of Board review.

Step 2: Application is reviewed by the NKDF Board for its merit; consultations with outside expertise may be sought[7].

Step 3: Decisions on approval are made, including level of funding to be awarded. A record of the decision is forwarded to the applicant by the Society Manager within one working week of the date of Board decision.

Applications are assessed with the following in mind:

- Consistency with the NKDF Society's guiding principles;
- Consistency with the identified priorities of the NKDF Society Programs;
- Economic and social benefits to/ impacts on the identified community(s)
- Avoiding duplication of projects, funding, or work done elsewhere;
- Clearly identified contributing funds / partners / personal equity
- Clearly thought out work plan and evaluation framework
- Experience and capability of the applicant to undertake the project
- Clearly identified and realistic strategies for the ongoing management of the project, especially for long-term projects.

Step 4: Funding conditions are discussed and an Agreement signed with the successful applicant. Agreements include terms to outline timing of reports required by the NKDF Society Board, funding payments, monitoring and evaluation procedures.

4.4 Program Monitoring

Administration:
The Funding Agreement stipulates the number and timeframe for reports and financial statements required for each project. The Evaluation Plan included in the application is used, where appropriate.

Project Monitor:
The Funding Agreement may include the appointment of a Project Monitor[8].

[7] To date this has not been deemed necessary.
[8] To date this has not been deemed necessary.

Project Site Visits:
The Funding Agreement may stipulate visits or meetings with the applicant to assess the project progress.

Promotion:
We require that all promotion of the project include recognition of the Society's contribution.

4.5 Business Loans Program Progress Report

Although the Society had initially hoped to have our Loans program functional by January 2000, we have found that more development time has been required. Our aim is to provide an innovative program that will complement existing loans programs by filling an identified gap in northern lending.

With our focus being on developmental, as opposed to commercial, lending, we have investigated the potential of working with the three Community Futures Development Corporations (CFDC) which service our Investment Area. Over time, once the framework of the program is established, we may partner with other delivery agents also.

In October 1999 the Society contracted with Pat English, President of TFC Consultants in Sidney, BC, to research and develop the program. As of the end of April 2000, relationships have been established with the CFDCs and a draft program outline has been developed. We hope to have the program operational in June 2000.

It is the intent of the Society to provide the broad outline of the program and to allow our delivery agents to conduct the due diligence necessary to ensure viable business plans. Our Criteria for the program, as included in the original Recommendations document follows:

4.5.1 Business Loan Program Criteria

Who can apply?:

- Individuals, partnerships and companies
- Commercial and non-profit organizations
- Local governments

Statement of Priorities:

Projects must create new long-term jobs or enhance existing jobs.

Operating Principles of the Business Loan Program:

Business loans will generally only be provided in partnership with other funding sources and/or personal equity.

Business plans and proposals must be viable, based on sound business practices.

A solid viable business plan must identify technical, managerial, and financial capacity, any required skills training, as well as demonstrated passion for the business.

Individual loans may be approved up to $250,000.00 dollars.

Lending criteria will endeavour to avoid any proposal getting economic advantages over existing enterprises.

5.0 1999-2000 Program Results

5.1 Community Grant program

Proposals received	Proposals approved	Proposals not approved	Total $ approved
4	2	2	Up to $154,500[9]

5.1.2 Project Details

Project Title: Well Project - Wistaria Hall
Proponent: Tweedsmuir Recreation Commission
Grant: $9000
Date Approved: January 19, 2000
Location: Wistaria, near Ootsa Lake

Summary

The Wistaria Hall was built in 1925 and since that time has been an integral part of community life for many rural-dwelling families on the south side of Burns Lake. It is a busy centre for social and community events (annual events include a new year's dance, Christmas bazaar and a First of July celebration), and as such, encourages community spirit throughout the area. Recently fund-raising and volunteer efforts led to major renovations of the hall's foundation and the installation of washrooms and a modern kitchen.

The hall, however, has been without a potable water system, so "good" water must be brought in for events. Water for washing and the washrooms is hauled by truck to a holding tank.

The purpose of this Society-supported project is to drill a well to provide a convenient source of "good" water.

The most recent update on this project was that drilling began April 28, with project completion aimed at the beginning of October 2000.

[9] Although up to $145,000 has been approved for the Kitamaat Village proposal, it is contingent on the applicant securing other contributing funds. The funds for this project will be taken from next year's grant program budget.

Project Title: Design of Wathl Creek Commercial Area
Proponent: Kitamaat Village Council
Grant: Up to $145,500
Date Approved: March 21, 2000
Location: Kitamaat Village

Summary

This project constitutes one phase of a long term goal to develop a commercial sector in Kitamaat Village, and has been identified as the main development priority of the community. This Society-supported phase involves the completion of detailed design of the Wathl Creek Commercial Area. Currently there is no area in the village which can support individual commercial ventures. The high cost of capital investment to develop land precludes individual entrepreneurs from coming forward. The design will include the drafting of a master land use plan and assessments by geotechnical, hyrdotechnical and environmental consultants.

The most recent update on the project indicated that work began in late April 2000, with proposed design completion by early fall 2000.

5.2 Economic Development Capacity Grant Program

Proposals received	Proposals approved	Proposals not approved	Total $ approved
4	3	1	$25,000

5.2.1 Project Details

Project Title: Writing Winning Proposals
Proponent: Vanderhoof Chamber of Commerce
Grant: $1000
Date Approved: November 25, 1999
Location: Vanderhoof

Summary

The purpose of this project was to provide community members with the skills to write effective proposals. Proposal writing to obtain funding grants has become a necessary function of non-profit and other community organizations. However, the expertise to develop these proposals is often lacking. Through this project a day-long, interactive workshop with an expert proposal-writer was held on February 25, 2000. Eighteen people attended and provided very positive evaluations of the day.

Costs were significantly less than originally anticipated due to lower facilitator expenses and other sponsorship. So, the Chamber approached the Society again and requested that the remaining funds ($485 from the Society) be used for a follow-up, more detailed workshop for the same participants. This request was approved on March 21, 2000 and the follow-up workshop is scheduled for May 2000.

Project Title:	**Touch Wood 2000**
Proponent:	**Vanderhoof Specialty Wood Products, on behalf of the Volunteer Regional Steering Committee for Touch Wood 2000**
Grant:	**$15,000**
Date Approved:	**December 7, 1999**
Location:	**Vanderhoof**

Summary

In 1996 the first Northern Wood Forum was held in Vanderhoof. Following its success, it has become an annual event that rotates between communities in northern British Columbia. The purpose behind the event is to highlight the growing importance of the value-added sector to local economies, and to investigate ways in which the education system and industry can develop cooperative approaches to enhance long-term employment prospects for local people. Components of the event include a conference, student competition and exhibition, woodcrafters' competition and exhibition and tours of wood products operations.
In 2000 the Wood Forum was held May 4-6.

Project Title:	**Stuart Nechako Regional Tourism Conference and Trade Show**

Proponent:	**Community Futures Development Corporation of Stuart Nechako**
Grant:	**Up to $9000**
Date Approved:	**January 19, 2000**
Location:	**Vanderhoof**

Summary

The Community Futures Development Corporation (CFDC) of Stuart Nechako partnered with other economic development agencies to organize a tourism conference and trade show on March 2-4, 2000. This event was regional in focus, drawing attendees not just from the Stuart Nechako region but also from the Lakes District. Unfortunately the trade show portion of the event was cancelled due to a lack of registrants. However, the conference went ahead successfully, with fifty-three people in attendance. Topics covered at the conference included target marketing, cooperative approaches to marketing, customer service and E-commerce. Evaluations received from attendees were very positive.

At the conclusion of the conference, CFDC Stuart Nechako proposed organizing a Regional Tourism Association, a concept that met with significant support. A total of twenty-four (mostly) tourism operators met in late April, 2000. They plan to get their numbers up to around forty operators.

One of the requests made by our Society in approving funding was for the organizers to continue to seek corporate sponsorship for the event. They were so successful in this, and some costs were lower than expected, that they were able to repay the instalment of $6500 provided by the Society.

6.0 Financial Report

Our first annual audit was completed in early May 2000 by Edmison Mehr Chartered Accountants. Financial highlights include net operational assets of $75,143 and net Grant assets of $831,390.

The investment of the Northern Development Fund is overseen by the British Columbia Investment Management Corporation. Reports on the Fund are generated quarterly. To receive reports on the Northern Development Fund, the Corporation can be contacted at (250) 356 9036.

To follow are the audited year-end statements approved by the Board at the first Annual General Meeting, held in Kitamaat Village May 17, 2000.